CITY OF ACKLEY, IOWA

INDEPENDENT AUDITOR'S REPORTS BASIC FINANCIAL STATEMENTS & SUPPLEMENTARY INFORMATION SCHEDULE OF FINDINGS

June 30, 2013

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Officials

Name	<u>Title</u>	Term Expires
James Daggs	Mayor	December 31, 2013
Dale Brass	Mayor Pro tem	December 31, 2013
Susan Ibeling Keith DeVries Dan Scallon Arlene Thuente Dale Brass	Council Member Council Member Council Member Council Member Council Member	December 31, 2013 December 31, 2015 December 31, 2013 December 31, 2015 December 31, 2013
Michael Nuss*	City Administrator	Indefinite
Cyndee Roskens	City Clerk	December 31, 2013
Mike Smith	Attorney	December 31, 2013

Keith Oltrogge, CPA, P.C.

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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ackley, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ackley, as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ackley's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2012, June 30, 2008 and June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedule 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 19 through 20 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 26, 2013 on my consideration of the City of Ackley's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Ackley's internal control over financial reporting and compliance.

Keith Oltrogge

Certified Public Accountant

November 26, 2013

CPAPC

City of Ackley

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

The City of Ackley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 34.8% or approximately \$838,272 from fiscal 2012 to fiscal 2013.
 Property tax and operating grants, contributions and restricted interest revenues increased approximately \$21,000 and \$28,000 respectively.
- Disbursements of the City's governmental activities decreased 33.5%, or approximately \$779,972, in fiscal 2013 from fiscal 2012. Capital projects disbursements decreased approximately \$904,739.
- The City's total cash basis net position increased 15.5%, or approximately \$271,700 from June 30, 2012 to June 30, 2013. Of this amount, the assets of the governmental activities increased approximately \$26,600 and the assets of the business type activities increased by approximately \$245,100.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains six Enterprise Funds to provide separate information for the water and sewer funds considered to be major funds of the City.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from (adjusted) \$1,503,183 to \$1,529,807. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

		Year Ende	ed Ju	ine 30
Descints and to a C		2013		2012
Receipts and transfers:				
Program receipts:				
Charges for service	\$	381,693	\$	360,377
Operating grants, contributions and restricted interest		201,288		173,463
Capital grants, contributions and restricted interest		-		881,635
General receipts:				
Property tax		701,445		716,565
Local option sales tax		147,335		147,192
Unrestricted investment earnings		73,261		71,749
Other general receipts		69,020		61,333
Total receipts	\$	1,574,042	\$	2,412,314
Disbursements:				
Public safety	\$	502,256	\$	455,858
Public works	•	361,919	•	342,411
Health and social services		30.,515		893
Culture and recreation		196,395		194,108
Community and economic development		35,039		7,104
General government		129,943		134,543
Debt service		216,237		182,105
Capital projects		105,629		1,010,368
Total disbursements and transfers	\$	1,547,418	\$	2,327,390
Increase (decrease) in cash basis net position	\$_	26,624	\$	84,924
Cash basis net position beginning of year	\$	1,486,209	\$	1,401,285
Prior period adjustment	. •	16,974	Ψ	1,701,203
Adjusted cash basis net position beginning of year	\$	1,503,183	\$	1,401,285
Cash basis net position end of year		1,529,807	\$	1,486,209

The City's total receipts for governmental activities, decreased by 34.8%, or \$838,272. The total cost of all programs and services decreased by approximately \$779,972, or 33.5 %, with no new programs added this year. The decrease in receipts and expenditures was primarily due to the completion of the CBDG grant.

The cost of all governmental activities this year was \$1,547,418 compared to \$2,327,390 last year. However, as shown in the Cash Basis Statement of Activities and Net Position on Page 10, the amount taxpayers ultimately financed for these activities was only \$964,437 because some of the cost was paid by those directly benefited from these programs \$381,693 or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest \$201,288. Overall, the City's governmental activities receipts, including governmental aid and fees for service, decreased in 2013 from approximately \$2,412,000 to approximately \$1,574,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$991,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities

	Year Ended June			
Described.	·	2013	2012	
Receipts:				
Program receipts:				
Charges for service:				
Water	\$	345,451 \$	314,419	
Sewer utility		298,898	275,86	
Storm sewer utility		41,188	56,44	
Other			2,700	
General receipts:		_	2,700	
Miscellaneous		35,526	29,62	
Total receipts	\$	721,063 \$	679,05	
Disbursements and transfers:				
Water	\$	184,922 \$	190,09	
Sewer Utility	Ψ	266,730	329,83	
Storm sewer utility		20,431	33,01	
Other		3,843	1,63	
Total disbursements	\$	475,926 \$	555,44	
Increase (decrease) in cash balance	\$	245,137 \$	123,60	
	 _		125,00.	
Cash basis net position beginning of year	_\$	239,746 \$	116,14	
Cash basis net position end of year	\$	484,883 \$	239,74	

Total business type activities receipts for the fiscal year were \$721,063 compared to \$679,052 last year. This increase was due primarily to increased receipts in charges for service. The cash balance increased by approximately \$239,700 from the prior year. Total disbursements for the fiscal year decreased by 16.7% or approximately \$79,521 due to the decrease in Sewer Utility expenditures for the CBGB match requirements.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Ackley completed the year, its governmental funds reported a combined fund balance of \$1,529,807, an increase of more than \$26,600 above last year's adjusted total of \$1,503,183. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$47,177 from the prior year to -\$192,134, due to the an increase in property taxes.
- The Road Use Tax Fund cash balance decreased by \$40,330 to -\$144,583 during the fiscal year. This decrease was attributable to expenditures exceeding revenues.
- The Fire Expendable Trust cash balance increased by \$7,063 to \$180,541. The increase was due to increase in contributions.
- The Tax Increment Financing Fund cash balance increased by \$27,833 to \$159,147 during the fiscal year. The increase was due to revenue exceeding expenditures.

- The Capital Reserve Endowment Fund cash balance remained unchanged during the year ended June 30, 2013.
- The Debt Service Fund cash balance decreased by \$37,043 to \$14,231 during the fiscal year.
- The Capital Projects Funds cash balance increased by \$9,890 to \$477,713 during the year ended June 30, 2013. The increase
 was due to decreased expenditures.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$160,529 to \$223,942 due to a decrease in expenditures.
- The Water Improvement Reserve cash balance remained the same at \$109,373 during the fiscal year. No activity took place during the year.
- The Sewer Utility Fund cash balance increased by \$64,594 to \$83,585 due to increased service costs.
- The Storm Sewer Utility Fund cash balance increased by \$20,757 to \$48,489 due to a decrease in expenditures.

BUDGETARY HIGHLIGHTS

The City's receipts were \$88,883 more than budgeted. This was primarily due to the City receiving more from intergovernmental resources than anticipated.

Total disbursements were \$482,796 less than the budget. This was primarily due to the expenditures for business type activities were less than anticipated.

The City exceeded the amounts budgeted in the public safety, public works, culture and recreation and debt service functions.

Outstanding Dobt at Voor End

DEBT ADMINISTRATION

At June 30, 2013, the City had \$795,340 in bonds and other long-term debt, compared to \$825,000 in 2012, as shown below.

	sed in Thousands)			
	Jun	e 30,		
	2013		2012	
General obligation notes	\$ 540	\$	695	
Revenue notes	115		130	
Capital Lease	140		_	
Total	\$ 795	\$	825	

Debt decreased by 3.6% due to payments made.

The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation of \$795,340 is significantly below its constitutional debt limit of approximately \$2.8 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Ackley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cyndee Roskens, City Clerk, City of Ackley.



Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

		 P	rogra	m Receipts		
Evention of Dec	 Disbursements	Charges for Service	Operating Grants, Contributions, & Restricted Interest		Capital Grants, Contributions, & Restricted Interest	
Functions/Programs: Governmental activities:						
Public safety Public works Health and social services	\$ 502,256 361,919	\$ 159,760 180,858	\$	27,075 152,172	\$	-
Culture and recreation Community and economic development	196,395 35,039	41,075		22,041		-
General government Debt service	129,943 216,237			-		-
Capital projects	 105,629	 		-		_
Total governmental activities Business type activities:	 1,547,418	\$ 381,693	\$	201,288	\$	
Water Sewer utility	\$ 184,922 266,730	\$ 345,451 298,898	\$	-	\$	-
Storm sewer utility Other	20,431 3,843	41,188		-		-
Total business type activities	\$ 475,926	\$ 685,537	\$		\$	
Total Ceneral Receipts:	 2,023,344	\$ 1,067,230	\$	201,288	\$	_

General Receipts:

Property tax levied for:

General purposes

Debt service

Tax increment financing

Local option sales tax

Unrestricted interest on investments

Miscellaneous

Sale of assets

Total general receipts

Change in cash basis net position
Cash basis net position, beginning of year
Prior period adjustment
Adjusted cash basis net position, beginning of year
Cash basis net position end of year

Cash Basis Net Position

Restricted:

Nonexpendable:

Cemetery perpetual care

Expendable:

Debt service

Other purposes

Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position

	vernmental	Е	Business Type			
/	Activities		Activities	Total		
_						
\$	-315,421	\$	-	\$	-315,421	
	-28,889		-		-28,889	
	-		-		-	
	-133,279		-		-133,279	
	-35,039		-		-35,039	
	-129,943		-		-129,943	
	-216,237		-		-216,237	
	-105,629		-		-105,629	
\$_	-964,437	\$	-	\$	-964,437	
	· -		-			
\$	-	\$	160,529	\$	160,529	
	_		32,168	*	32,168	
	-		20,757		20,757	
	_		-3,843		-3,843	
\$	-	\$	209,611	\$	209,611	
		<u> </u>		<u> </u>	207,011	
\$	-964,437	\$	209,611	\$	-754,826	
<u></u>			207,011	Ψ	-734,020	
\$	464,623	\$	_	\$	464,623	
	179,194		_	*	179,194	
	57,628		_		57,628	
	147,335		_		147,335	
	73,261		_		73,261	
	48,759		35,526		84,285	
	20,261		55,520		20,261	
\$	991,061	\$	35,526	\$		
Ψ	221,001	ф	33,320	ъ	1,026,587	
\$	26,624	\$	245,137	\$	271,761	
<u>\$</u>	1,486,209	\$	239,746	\$	1,725,955	
Ψ	16,974	Φ	237,140	Φ	1,723,933	
\$	1,503,183	\$	220.746	•		
<u>\$</u>			239,746	\$	1,742,929	
Φ	1,529,807	\$	484,883	\$	2,014,690	
\$	58,102	\$		¢	50 100	
Φ	20,102	Φ	-	\$	58,102	
	14,231		_		14,231	
	1,649,608		128,867		1,778,475	
	-192,134		356,016		163,882	
\$	1,529,807	\$	484,883	\$	2,014,690	
Ψ	1,347,007	Ψ	704,003	1)	2,014,090	

Statement of Cash Receipts, Disbursements and Changes in Cash Balances Governmental Funds

As of and for the year ended June 30, 2013

			Special Revenue						
		General	Tax	an Renewal Increment inancing]	Road Use Tax		Capital Reserve Endowment	
Receipts:							-		
Property tax	\$	313,691	\$	-	\$	_	\$	_	
Tax increment financing				57,628	-		•	_	
Use of money and property		96,591		-		_		_	
Other city tax		55,871		_		_		_	
Licenses and permits		3,130		_		_		_	
Intergovernmental		60,058				152,172		_	
Charges for service		295,116		_		132,172		-	
Special assessments		2/0,(10		_		-		-	
Miscellaneous		37,574		_		150		-	
Total receipts	\$	862,031	\$	57.620	ø	150	<u> </u>	-	
Disbursements:	_	802,031	<u> </u>	57,628	\$_	152,322	\$		
Operating:									
Public safety	dr	165 100	•						
Public works	\$	•	\$	-	\$	-	\$	-	
Health and social services		169,267		-		192,652		-	
Culture and recreation		-		-		-		-	
		189,962		-		-		-	
Community and economic development		3,000		29,795		-		-	
General government		129,943		-		-		-	
Debt service		-		-		-		-	
Capital projects		-		-		-		-	
Total disbursements	_\$	957,660	\$	29,795	\$	192,652	\$	-	
Excess (deficiency) of receipts over (under) disbursements	\$	-95,629	\$	27,833	\$	-40,330	\$		
Other financing sources (uses):						,			
Operating transfers in (out)		142,806		_				<u>-</u>	
Change in cash balances	•	40.100	Ф	25.022	•			·	
Cash balances beginning of year	\$	47,177	\$	27,833	\$	-40,330	\$	-	
	\$	-239,311	\$	131,314	\$	-104,253	\$	915,325	
Prior period adjustment		-		<u>-</u>					
Adjusted cash balance beginning of year	\$	-239,311		131,314		-104,253		915,325	
Change in cash balances		47,177		27,833		-40,330			
Cash balances end of year	\$	-192,134	\$	159,147	\$	-144,583	\$	915,325	
Cash Basis Fund Balances									
Nonspendable – Cemetery perpetual care	\$		\$		ø		ø		
Restricted for:	Ф	-	Ф	-	\$	-	\$	-	
Special Revenue				160 147		144 500		015 205	
Debt service		-		159,147		-144,583		915,325	
Capital projects		-		-		-		-	
Unassigned		102 124		-		-		*	
Total cash basis fund balances		-192,134		4 = 5 - 1 - 1 - 1		-			
i otal casii dasis lung dalances	\$	-192,134	2	159,147	\$_	-144,583	\$	915,325	

	Fire			_(Capital Projects				
Ex	ependable		Debt		Capital				
	Trust		Service		Project		Non-major		Total
\$	-	\$	173,788	\$	-	\$	136,568	\$	624,04
	-		-		-		-	•	57,62
	4		-		-		123		96,71
	-		5,167		110,494		4,199		175,73
	-		-		-		, <u>-</u>		3,13
	27,075		239		-		2,417		241,96
	-		-		_		· -		295,11
	-		-		5,025		-		5,02
	18,607						18,355		74,68
\$	45,686	\$	179,194	\$	115,519	\$	161,662	\$	1,574,04
\$	36,768	\$		en.		•			
Φ	30,708	Ф	-	\$	-	\$	-	\$	502,25
	_		-		-		-		361,91
	_		-		-		·		10000
	_		_		=		6,433		196,39
	_		_		-		2,244		35,03
	_		216,237		•		-		129,94
	_		210,257		105,629		-		216,23
\$	36,768	\$	216,237	\$	105,629	\$	8,677	\$	105,62
\$	8,918	\$	-37,043	\$	9,890	\$	152,985	\$	1,547,41 26,62
	-1,855		_				-140,951		
<u> </u>		£	27.042	Φ.	2.000			_	
\$ \$	7,063 156,504	<u>\$</u>	-37,043	<u>\$</u>	9,890	\$	12,034	\$	26,62
Ф	156,504	Ф	51,274	Þ	467,823	\$	107,533	\$	1,486,20
\$	173,478		51,274		467.022		-		16,97
Ψ	7,063		-37,043		467,823		107,533		1,503,18
			-57,043		9,890		12,034		26,62
\$	180,541	\$	14,231	\$	477,713	\$	119,567	\$	1,529,80
\$		\$		¢		ø	59 100	•	50.10
Ψ	-	Ф	-	\$	-	\$	58,102	\$	58,10
	180,541		-		-		6,859		1,117,28
	-		14,231		-		-		14,23
	-		-		477,713		54,606		532,31
		_			-		-		-192,13
\$	180,541	\$	14,231	\$	477,713	\$	119,567	\$	1,529,80

Statement of Cash Receipts, Disbursements and Changes in Cash Balances Proprietary Funds

As of and for the year ended June 30, 2013

	Enterprise Funds			
Operating receipts:		Water		Water Improvement Reserve
Operating receipts: Charges for service Miscellaneous	\$	345,451 -	\$	-
Total operating receipts	\$	345,451	\$	
Operating disbursements: Business type activities	\$	184,922	\$	
Excess (deficiency) of operating receipts over (under) operating disbursements	\$	160,529	\$	-
Non-operating receipts (disbursements): Debt service		-		
Change in cash balances Cash balances beginning of year	\$	160,529 63,413	\$	109,373
Cash balances end of year	\$	223,942	\$	109,373
Cash Basis Fund Balances Unrestricted Restricted Total cash basis fund balance	\$	223,942		109,373
rotal dash dasis fully dalance	\$	223,942	\$	109,373

	·	Ente	rprise Funds			_		
	Sewer Utility		Storm Sewer Utility	1	Non-major	Total		
\$	298,898 32,426	\$	41,188	\$	3,100	\$	685,537 35,526	
\$	331,324	\$	41,188	\$	3,100	\$	721,063	
\$	245,047	\$	20,431	\$	3,843	\$	454,243	
\$	86,277	\$	20,757	\$	-743	\$	266,820	
	-21,683						-21,683	
\$	64,594 18,991	\$	20,757 27,732	\$	-743 20,237	\$	245,137 239,746	
\$	83,585	\$	48,489	\$	19,494	\$	484,883	
\$	83,585	\$	48,489	\$	- 19,494	\$	356,016 128,867	
\$	83,585	\$	48,489	\$	19,494	\$	484,883	

Notes to Financial Statements

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ackley is a political subdivision of the State of Iowa located in Hardin County. It was first incorporated in 1857 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Ackley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Ackley has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Hardin County Assessor's Conference Board, Hardin County Emergency Management Commission, and Hardin County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's non-fiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

<u>Fund Financial Statements</u> – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment is used to account for tax increment financing collections and the replacement of tax increment financing indebtedness.

The Road Use Tax Fund is used to account for road use tax allocation from the State of Iowa to be used for the road construction and maintenance.

The Capital Reserve Fund is utilized to account for the swimming pool investment and principal and interest payments.

The Fire Expendable Trust is utilized to account for the fire department receipts and expenditures.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund accounts for monies received for capital projects and the related disbursements.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Water Improvement Reserve Fund accounts for funds reserved for future water repairs and improvements.

The Enterprise, Sewer Utility Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Storm Sewer Utility Fund accounts for the operation and maintenance of the City's storm sewer system.

C. Measurement Focus and Basis of Accounting

The City of Ackley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

<u>Restricted</u> – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

<u>Unassigned</u> – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as other information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation and debt service functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the City had the following investments:

	Carrying	Fair	
Туре	Amount	Value	Maturity
US Treasury bonds	\$915,348	\$1,117,156	May 2016

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

NOTE 3 – BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds, general obligation notes, and revenue notes indebtedness are as follows:

	General Obl	igation				
Year Ending	Bonds and	Notes	Revenue N	lotes	Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$130,000	\$18,742	\$15,000	\$5,538	\$145,000	\$24,280
2015	135,000	14,843	20,000	4,870	155,000	19,713
2016	135,000	10,320	20,000	3,750	155,000	14,070
2017	140,000	5,400	20,000	3,000	160,000	8,400
2018	-	-	20,000	2,020	20,000	2,020
2019	-		20,000	1,020	20,000	1,020
Total _	\$540,000	\$49,305	\$115,000	\$20,198	\$655,000	\$69,503

The resolutions providing for the issuance of the general obligation bonds and notes include the following provisions:

a) At the option of the City, notes due on the Essential Corporate Purpose issue of July 17, 2009, are subject to redemption and prepayment in whole or from time to time in part, in any order of maturity beginning June 1, 2014, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving purpose notice.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The bonds and notes will only be redeemed from the future earnings of the respective activities and bond/note holders hold a lien on the future earnings of the funds.
- b) At the option of the City, notes due on the Sewer Revenue Capital Loan Note issue of November 1, 2004 are subject to redemption and prepayment in whole or from time to time in part, in any order of maturity beginning June 1, 2013, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.

NOTE 4 - CAPITAL LEASE

The City entered into a capital lease for the purchase of a street sweeper on September 28, 2012 for \$177,960, with a 2.85% interest rate. Annual payment are \$37,619.94 ending September 2016.

NOTE 5 - PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of annual covered salary except for police employees, in which case the percentages are 6.84% and 10.27%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2013 was \$37,422, equal to the required contribution for the year.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

<u>Plan description</u> – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 7 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

<u>Funding Policy</u> – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$445.29 for single coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$38,506.

NOTE 7 - COMPENSATED ARSENCES

City employees accumulate a limited amount of earned but unused sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Sick Leave	\$51,243

This liability has been computed based on rates of pay at June 30, 2013.

NOTE 8 – INTER-FUND TRANSFERS

The detail of inter-fund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits Levy	\$ 140,951
General	Fire Expenditure Trust	1,855
Total		\$ 142,806

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 9 – RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$8,195 during the year ended June 30, 2013.

NOTE 10 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued \$435,000 of revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City. The bonds outstanding at June 30, 2013 were \$218,391.

NOTE 11 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 - DEFICIT BALANCES

At June 30, 2013, the General Fund had a \$192,134 deficit balance. Special Revenue Funds – Road Use Tax, Urban Renewal and Save the Depot had deficit balances of \$144,583, \$17,480, and \$81,973 respectively at June 30, 2013. Capital Projects Funds – Daycare project had a \$229 deficit balance at June 30, 2013. The deficit balances were a result of project costs incurred prior to availability of funds. The deficits will be eliminated through tax collections and inter-fund transfers.

NOTE 13 – COMMITMENTS

The City of Ackley has entered into a 28E Agreement with Ackley, Geneva, Wellsburg, Steamboat Rock (AGWSR) Community Schools to provide for services and management of a child care facility serving residents of the Ackley area called the Cougar's Den Daycare. The City will provide the child care facility. AGWSR Community School will pay all of the financial obligations.

NOTE 14 – SUBSEQUENT EVENTS

The City has entered into a contract with Sailer Ford for the purchase of a new police car for \$25,880.

The City has evaluated subsequent events through November 26, 2013, which is the date that the financial statements were available to be issued.

OTHER INFORMATION

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances — Budget and Actual (Cash Basis) — All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2013

Receipts:	G	overnmental Funds Actual]	Proprietary Funds Actual
Property tax Tax increment financing collections Other city tax Licenses and permits	\$	624,047 57,628 175,731	\$	<u>.</u> -
Use of money and property Intergovernmental Charges for service		3,130 96,718 241,961 295,116		- - - 685,537
Special assessments Miscellaneous Total receipts	\$	5,025 74,686 1,574,042	\$	35,526 721,063
Disbursements: Public safety Public works Health and social services	\$	502,256 361,919	\$	-
Culture and recreation Community and economic development General government Debt service		196,395 35,039 129,943 216,237		- - - 21,683
Capital projects Business type activities Total disbursements	\$	105,629 - 1,547,418	\$	454,243 475,926
Excess (deficiency) of receipts over (under) disbursements	\$	26,624	\$	245,137
Net other financing sources (uses)	 ,	-		
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$	26,624	\$	245,137
Balances beginning of year Prior period adjustment	\$	1,486,209 16,974	\$	239,746
Adjusted balances beginning of year Balances end of year	<u>\$</u> \$	1,503,183	<u>\$</u> \$	239,746 484,883

See accompanying independent auditor's report.

			Dudastad		District Street
	Net		Budgeted Amounts		Final to Net
	1400	_	Amounts		Variance
\$	624,047	\$	587,331	\$	36,716
•	57,628	Ψ	113,396	Φ	-55,768
	175,731		164,703		11,028
	3,130		3,825		-695
	96,718		99,168		-2,450
	241,961		171,866		70,095
	980,653		992,233		-11,580
	5,025				5,025
	110,212		73,700		36,512
\$	2,295,105	\$	2,206,222	\$	88,883
\$	502,256	\$	488,557	\$	-13,699
	361,919		229,900		-132,019
	-		3,000		3,000
	196,395		166,469		-29,926
	35,039		35,255		216
	129,943		130,891		948
	237,920		178,418		-59,502
	105,629		318,136		212,507
	454,243		955,514		501,271
\$	2,023,344	\$	2,506,140	\$	482,796
\$	271,761	\$	-299,918	\$	571,679
			,		,
			20,000		20,000
_\$	271,761	\$	-279,918	\$	551,679
\$	1,725,955	\$	865,955	\$	860,000
	16,974		-		16,974_
_\$	1,942,929	\$	865,955	\$	876,974
•		_			-
_\$	2,014,690	\$	586,037	\$	1,428,653

Notes to Other Information - Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the Public Safety, Public Works, Culture and Recreation and Debt Service functions.



Statement of Cash Receipts, Disbursements and Changes in Cash Balances Non-major Governmental Funds

Year ended June 30, 2013

	Special Revenue											
Receipts:		Employee Benefits		Police Car Expendable Trust		Ambulance Expendable Trust		Health Insurance Trust		Urban Renewal		Library Board
*	•	100 000										
Property tax Tax increment financing	\$	136,568	\$	-	\$	-	\$	-	\$	-	\$	-
Use of money and property		-		-		-		-		-		-
Other city taxes		4 100		-		16		-		-		-
Intergovernmental		4,199		-		-		-		-		-
Charges for service		184		-		-		-		-		2,233
Miscellaneous		-		-		-		-		-		-
Total receipts	<u></u>	140.051						_		•		18,355
rotai receipts	_\$_	140,951	\$	-	\$	16	\$		\$	-	\$	20,588
Disbursements: Operating: Culture and recreation	•											
	\$	-	\$	-	\$	-	\$	-	\$	-	\$	6,433
Community and economic												
development Total disbursements								-		2,244		
i otai disbursements	_\$_		\$	-	\$	-	\$		\$	2,244	\$	6,433
Excess (deficiency) of receipts over (under) disbursements	\$	140,951	\$	_	\$	16	\$		\$	-2,244	\$	14 155
		1,0,221			Ψ	10	φ	-	Ф	-2,244	Ф	14,155
Other financing uses:												
Operating transfers out	\$	-140,951	\$	_	\$	_	\$	_	\$	_	\$	
					Ψ		Ψ	<u>-</u>	Ψ,		Φ	
Change in cash balances Cash balances beginning of year	\$	_	\$	7,019	\$	16 7,778	\$	3,800	\$	-2,244 -15,236	\$	14,155
2 3 J				7,017		7,770		3,800		-13,230		32,548
Cash balances end of year	\$	_	\$	7,019	\$	7,794	\$	3,800	\$	-17,480	\$	46,703
Cash Basis Fund Balances Restricted for:												
Special revenue funds Capital project funds	\$	-	\$	7,019	\$	7, 79 4 -	\$	3,800	\$	-17,480 -	\$	46,703
Nonspendable – cemetery perpetual care												
Unassigned		•		-		-		-		•		-
Chastigieu				-		-		-				-
Total cash basis fund balances	\$	-	\$	7,019	\$	7,794	\$	3,800	\$	-17,480	\$	46,703

See accompanying independent auditor's report.

		Spec	ial Revenu	ıe									
	imming Pool Trust		Courism oundation Trust		Save The Depot		Capital Paycare Project		jects Street Project		ermanent Cemetery Perpetual Care	-	Total
\$	-	\$	-	\$	-	\$	-	\$	_	\$	_	\$	136,568
	-		-		-		-		-		-		-
	5		-		-		-		-		102		123
	-		-		•		•		-		-		4,199
	-		-		•		-		-		-		2,417
	_		-		-		-		-		-		
\$	5	\$		\$		\$		-\$	-	_			18,355
Ψ		Ψ		Φ.	-	<u> </u>		<u> </u>		\$	102	\$	161,662
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	6,433
											-		2,244
\$		\$		\$	-	\$		\$	-	\$	-	\$	8,677
\$	5	\$	<u>-</u>	\$	<u>-</u>	\$_	-	\$		\$	102	\$	152,985
\$	-	\$	-	\$	-	\$		\$	_	\$	_	\$	-140,951
\$	5 4,486	\$	36,505	\$	-81,973	\$	-229	\$	54,835	\$	102 58,000	\$	12,034 107,533
\$	4,491	\$	36,505	\$	-81,973	\$	-229	\$	54,835	\$	58,102	\$	119,567
\$	4,491	\$	36,505	\$	-81,973	\$	-	\$		\$	-	\$	6,859
	-		-		-		-229		54,835		-	٠	54,606
			-		-		-		- -		58,102		58,102
\$	4,491	\$	36,505	\$	-81,973	\$	-229	\$	54,835	\$	58,102	\$	119,567

Statement of Cash Receipts, Disbursements and Changes in Cash Balances Proprietary Funds

As of and for the year ended June 30, 2013

On smalling and sink		Water Reserve Sinking	 Water Deposits	Total
Operating receipts: Charges for service	\$	-	\$ 3,100	\$ 3,100
Operating disbursements: Business type activities	_\$_		\$ 3,843	\$ 3,843
Change in cash balances	\$	-	\$ -743	\$ -743
Cash balances beginning of year		6,511	 13,726	 20,237
Cash balances end of year	\$	6,511	\$ 12,983	\$ 19,494
Cash Basis Fund Balances Restricted: Other	_\$_	6,511	\$ 12,983	\$ 19,494

Schedule of Indebtedness

Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds and Notes: Essential corporate purpose Essential corporate purpose	June 15, 2009 July 15, 2009	2.00-2.50% 3.00-3.90%	\$590,000 540,000
Revenue notes: Sewer revenue capital loan notes Capital lease	November 1, 2004 September 28, 2012	2.45-5.10% 2.85%	\$245,000 \$177,960

Total indebtedness

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$155,000	\$-	\$155,000	\$-	\$3,874	\$-
540,000	-	•	540,000	18,743	Ψ-
\$695,000	\$-	\$155,000	\$540,000	\$22,617	\$-
\$130,000	\$-	\$15,000	\$115,000	\$6,183	\$ -
\$-	\$177,960	\$37,620	\$140,340	\$-	\$-
\$825,000	\$177,960	\$207,620	\$795,340	\$28,800	\$-

Bond and Note Maturities

June 30, 2013

	General Obligation Capital Loan Notes					
		oorate Purpose				
Year Ending	Issued Jul	y 15, 2009				
June 30,	Interest Rate	Amount				
	· · · · · · · · · · · · · · · · · · ·					
2014	3.00%	\$130,000				
2015	3.35%	135,000				
2016	3.60%	135,000				
2017	3.90%	140,000				
	_	\$540,000				

Year Ending	Revenue Notes Sewer Revenue Capital Loan Notes Issued November 1, 2004					
June 30,	Interest Rate	Amount				
2014	4.45%	\$15,000				
2015	4.60%	20,000				
2016	4.75%	20,000				
2017	4.90%	20,000				
2018	5.00%	20,000				
2019	5.10%	20,000				
	<u> </u>	\$115,000				

		Capital Lease				
Year Ending	Essential Corporate Purpose Issued September 28, 2012					
June 30,	Interest Rate	Amount				
2014	2.85%	\$33,620				
2015	2.85%	34,578				
2016	2.85%	35,564				
2017	2.85%	36,578				
		\$140,340				

Schedule of Receipts By Source and Disbursements By Function – All Governmental Funds

For the Last Eight Years

	_	2013		2012		2011		2010		2009
Dansinta		(Audited)		(Audited)		(Audited)		(Audited)		(Unaudited)
Receipts:	_									,
Property tax	\$	624,047	\$	586,045	\$	585,921	\$	565,336	\$	516,033
Tax increment financing collection		57,628		110,366		70,623		-		_
Other city tax		175,731		166,525		190,110		164,545		153,149
Licenses and permits		3,130		3,406		3,352		3,392		3,127
Use of money and property		96,718		95,680		92,794		99,945		98,797
Intergovernmental		241,961		1,087,652		625,664		271,518		304,826
Charges for service		295,116		290,413		340,888		324,639		314,006
Special assessments		5,025		4,905		-		1,533		873
Miscellaneous		74,686		67,322		118,628		75,262		85,157
Total		1,574,042	\$	2,412,314	\$	2,027,980	\$	1,506,170	\$	1,475,968
Disbursements:										
Operating:										
Public safety	\$	502,256	\$	455,858	\$	643,121	\$	262 202	d.	421 426
Public works	Ψ	361,919	Ψ	342,411	Ф	357,926	Φ	363,202	\$	431,436
Health and social services		501,515		893		5,292		351,043		405,274
Culture and recreation		196,395		194,108		201,070		2,165		4,048
Community and economic development		35,039		7,104		16,919		288,988		217,606
General government		129,943		134,543		106,963		125,355	-	124,754
Debt service		216,237		182,105		180,005		122,300		126,837
Capital projects		105,629		1,010,368		•		185,985		755,518
1 1-9	-	103,029		1,010,508		566,197		429,774		90,716
Total	\$	1,547,418	\$	2,327,390	\$	2,077,493	\$	1,868,812	\$	2,156,189

	2008	2007		2006
	(Audited)	(Unaudited)		(Audited)
\$	475,901	\$ 465,543	\$	502,911
	164 107	-		-
	164,197	163,508		137,099
	3,492	3,959		3,180
	122,177	107,843		108,230
	200,883	195,484		200,113
	278,361	277,098		320,301
	8,123	1,343		6,146
	48,600	45,781		61,798
				- - -
\$	1,301,734	\$ 1,260,559	\$	1,339,778
\$	348,777	\$ 346,111	\$	419,248
	367,492	332,011		346,417
	3,650	2,627		2,675
	185,364	169,069		188,541
	129,806	16,312		3,000
	112,194	94,927		107,031
	161,600	199,128		206,600
	173,877	25,177		219,486
\$	1,482,760	\$ 1,185,362	\$	1,492,998

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

201 East Main Street P.O. Box 310 Denver, Iowa 50622

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ackley, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated November 26, 2013. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Ackley's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ackley's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Ackley's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-13 through I-D-13 material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-E-13 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ackley's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under <u>Government Auditing Standards</u>. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Ackley's Responses to Findings

The City of Ackley's responses to findings identified in my audit are described in the accompanying Schedule of Findings. The City of Ackley's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Ackley during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Keith Oltrogge

Certified Public Accountant

November 26, 2013

CPA PC

Schedule of Findings

Year ended June 30, 2013

Part I - Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 <u>Segregation of Duties</u> – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over most of the accounting and banking functions.

<u>Recommendation</u> – I realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response and planned corrective action - We will consider this.

<u>Conclusion</u> – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-13 Treasurer's Report – The financial statement report, "Treasurer's report reconciliation to the clerk's balance" at June 30, 2013 does not agree with the actual cash balance per the bank reconciliations.

<u>Recommendation</u> – The treasurer's report should be corrected so the management of the City will have an accurate accounting of each individual fund.

Response and planned corrective action - We will do this.

Conclusion - Response accepted.

I-C-13 Accounting Policies and Procedures Manual - The City does not have an accounting policies and procedures manual.

Recommendation - An accounting policies and procedures manual should be developed to provide the following benefits:

- 1) Aid in training additional or replacement personnel.
- 2) Help achieve uniformity in accounting and in application of policies and procedures.
- 3) Save supervisory time by recording decisions so that they will not have to be made each time the same, or a similar, situation arises.

Response and planned corrective action - The City will work to get one created before the next audit.

Conclusion - Response accepted.

Schedule of Findings

Year ended June 30, 2013

Part I: Other Findings Related to Financial Statements (continued):

I-D-13 <u>Financial Reporting</u> – During the audit, I identified material amounts of transfers coded incorrectly in the financial statements. Adjustments were subsequently made by the City to properly record these amounts in the financial statements.

Recommendation - The City should properly record all transfers.

Response and planned corrective action –The City clerk has contacted a mentor to help in proper coding of revenues and transfers in the future.

Conclusion - Response accepted.

I-E-13 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosures is a necessary aspect of internal control over the City's financial reporting process. The City does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The City has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the City are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small Cities and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the City would like to address.

Response and planned corrective action - We will consult with you as needed on financial statement considerations.

Conclusions - Response accepted.

Schedule of Findings

Year ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting:

II-A-13 <u>Certified Budget</u> – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in several different functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will do this.

Conclusion - Response accepted.

- II-B-13 Questionable Disbursements No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-13 Travel Expense No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-13 <u>Business Transactions</u> Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and	Transcription			
Business Connection	Description	Amount		
James Daggs, Mayor, Owner of Ackley Publishing	Publications	\$2,000		
Tim Eichmeier, Fire Chief, Owner of Eichmeier Motor	Repairs	\$6,096		
Dale Brass, Council Member, Owner of Sailer Ford	Repairs	\$99		

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the mayor and council member, Dale Brass, do not appear to represent a conflict of interest since total transaction with the individuals were less than \$1,500 during the fiscal year.

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Fire Chief, Tim Eichmeier, may represent a conflict of interest since competitive bidding was not utilized for all transactions and the total of the transactions was in excess \$1,500.

Recommendation - The City should use competitive bidding process when practicable.

<u>Response</u> – The transactions were normal expenses. A competitive bidding process is not always practical, however, we will endeavor to competitively bid the work when practicable in the future.

Conclusion - Response accepted.

II-E-13 <u>Bond Coverage</u> – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

Schedule of Findings

Year ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting (continued):

II-F-13 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

The Council took action during most of the public hearings without closing the public hearing first.

Recommendation - The City should comply with the Chapter 21 of the Code of Iowa.

Response - We will comply with Code requirements for closing public hearings and council actions.

Conclusion - Response accepted.

- II-G-13 Deposits and Investments No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-13 Revenue Bonds and Notes No instances of non-compliance with the revenue bond and note resolutions were noted.
- II-I-13 Financial Condition The General Fund, Special Revenue Funds Road Use Tax, Urban Renewal, and Save the Depot accounts, Capital Projects Fund Daycare Project had deficit balances of \$192,134, \$144,583, \$17,480, \$81,973 and \$229 respectively, at June 30, 2013.

<u>Recommendation</u> – The City should continue to monitor these accounts and investigate alternatives to eliminate the deficits in order to return these accounts to a sound financial condition.

Response - The deficits will be monitored in the future.

Conclusion - Response accepted.

II-J-13 Petty Cash – It was noted that the petty cash fund was used for mileage and a storm sewer refund.

<u>Recommendations</u> – The City should write checks for reimbursement of travel expenditures and refunds with proper documentation. The petty cash fund should only be used for small purchases.

Response - The petty cash fund will only be used for small purchases.

Conclusion - Response accepted.

Schedule of Findings

Year ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting (continued):

II-K-13 <u>Urban Renewal Annual Report</u> – The urban renewal annual report for fiscal year 2012, was approved but was not certified to the Iowa Department of Management on or before December 1. The report was filed on January 8, 2013.

In addition, the following exceptions were noted:

The County Auditor reconciled the TIF increment tax apportioned in all prior fiscal years and found that the City was over paid by \$26,042 per the County Auditor's report. In May 2013 the City refunded Hardin County Treasurer the TIF overpayment of \$28,088.86.

Recommendation - The City should file the urban renewal annual report timely and accurately in the future.

Response - The reports will be filed properly in the future.

Conclusion - Response accepted.

II-L-13 Police Department Vehicle Purchase – Iowa Code Chapter 68B.3 establishes procedures for the obligation and expenditure of municipal funds when public competitive bid procedures are required. Section I states, in part:

"...any goods or services having a value in excess of two thousand dollars to any state agency unless the sale is made pursuant to an award or contract let after public notice and competitive bidding." The competitive bid must be in writing, publicly invited and opened.

The City Council approved the bid from Sailer Ford for \$25,880 on April 10, 2013. The bids for the police car were obtained privately. They were not opened during a public meeting and the bids received were not published.

This transaction represents a conflict of interest because the City did not utilize a proper competitive bidding process. Sailer Ford is a related party. Council member Dale Brass is the owner.

<u>Recommendation</u> – The City should comply with the Iowa Code and should review its procedures for competitive bidding, conflicts of interest and publications.

Response – We will comply with the Code requirements.

Conclusion - Response acknowledged.